

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Washtenaw County CSTS (SR Fund)	County Washtenaw
Audit Date 9/30/05	Opinion Date 12/22/05	Date Accountant Report Submitted to State: 3/17/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

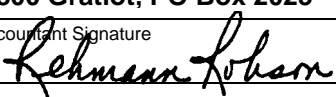
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Rehmann Robson			
Street Address 5800 Gratiot, PO Box 2025		City Saginaw	State MI
Accountant Signature 		ZIP 48605	Date 3/17/06



Community...everyone is a member.

**Financial Statements
and
Supplementary Information**

For the Year Ended September 30, 2005

**WASHTENAW COUNTY
COMMUNITY SUPPORT & TREATMENT SERVICES**

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REHMANN ROBSON

Certified Public Accountants

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BAKER TILLY
INTERNATIONAL

INDEPENDENT AUDITORS' REPORT

December 22, 2005

To the Washtenaw County Board of Commissioners
Ypsilanti, Michigan

We have audited the accompanying financial statements of ***Washtenaw County Community Support & Treatment Services, a special revenue fund of Washtenaw County, Michigan***, as of and for the year ended September 30, 2005, as listed in the table of contents. These financial statements are the responsibility of Washtenaw County Community Support & Treatment Services' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only Washtenaw County Community Support & Treatment Services Special Revenue Fund and do not purport to, and do not present fairly the financial position of Washtenaw County, Michigan, as of September 30, 2005, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washtenaw County Community Support & Treatment Services, a special revenue fund of Washtenaw County, Michigan as of September 30, 2005, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Washtenaw County Community Support & Treatment Services. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Lehmann Johnson".

FINANCIAL STATEMENTS

WASHTENAW COUNTY
COMMUNITY SUPPORT & TREATMENT SERVICES

Balance Sheet
September 30, 2005

Assets

Accounts receivable	\$ 477,645
Fees receivable, net	289,406
Due from Washtenaw Community Health Organization	3,122,325
Due from other governments	27,697
Due from other funds of Washtenaw County	905

Total assets	<u>\$ 3,917,978</u>
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Liabilities

Negative equity in pooled cash of Washtenaw County	\$ 2,085,780
Accounts payable	156,205
Accrued payroll	622,951
Due to Washtenaw Community Health Organization	148,720

Total liabilities	3,013,656
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Fund balance

Unreserved, undesignated	<u>904,322</u>
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Total liabilities and fund balance	<u>\$ 3,917,978</u>
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The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY
COMMUNITY SUPPORT & TREATMENT SERVICES

**Statement of Revenue, Expenditures,
and Changes in Fund Balance - Budget and Actual
For the Year Ended September 30, 2005**

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Intergovernmental:				
Federal	\$ 605,130	\$ 644,651	\$ 666,567	\$ 21,916
State	213,928	746,852	711,151	(35,701)
Washtenaw Community Health Organization	16,260,841	17,121,742	17,842,086	720,344
Charges for services:				
Insurance	317,000	315,000	584,995	269,995
Other service fees	20,000	20,000	16,558	(3,442)
Other revenue and reimbursements:				
Revenue contracts	513,794	513,794	489,708	(24,086)
Other	22,950	24,950	14,344	(10,606)
 Total revenue	 17,953,643	 19,386,989	 20,325,409	 938,420
Expenditures				
Board administration	1,712,588	2,692,006	2,905,659	213,653
Access and prevention	673,443	643,332	711,345	68,013
Youth and family	1,979,616	1,880,804	1,823,566	(57,238)
Services to the mentally impaired	5,060,719	4,993,274	4,863,826	(129,448)
Services to the developmentally disabled	9,282,841	9,448,661	9,470,998	22,337
 Total expenditures	 18,709,207	 19,658,077	 19,775,394	 117,317
 Revenue over (under) expenditures	 (755,564)	 (271,088)	 550,015	 821,103
Other financing sources				
Transfers from Washtenaw County	755,564	271,088	271,088	-
 Revenue and other financing sources over expenditures	 -	 -	 821,103	 821,103
 Fund balance, beginning of year	 83,219	 83,219	 83,219	 -
Fund balance, end of year	\$ 83,219	\$ 83,219	\$ 904,322	\$ 821,103

The accompanying notes are an integral part of these financial statements.

WASHTENAW COUNTY COMMUNITY SUPPORT & TREATMENT SERVICES

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Washtenaw County Community Support & Treatment Services (CSTS or the “Fund”; formerly known as Washtenaw County Community Mental Health Fund) is used to account for the provision of certain mental health services to citizens of Washtenaw County. From 1965 through 2001, the Fund was administered by the Community Mental Health Board (the “Board”), created by a resolution of the County Board of Commissioners pursuant to Act 54 of the Public Acts of 1963, as amended. In 2001, the County Board of Commissioners assumed the administration of the Fund.

Effective October 1, 2000, the Washtenaw Community Health Organization (WCHO), a separate legal entity formed by Washtenaw County and the University of Michigan pursuant to the Urban Cooperation Act (Public Act 7 of 1967), replaced the Board as the official community mental health service provider for Washtenaw County, as specified in the full management contract with the Michigan Department of Community Health (MDCH). Washtenaw County serves as a primary subcontractor of WCHO, and accounts for its activities relative to its contract with WCHO in the Fund.

Reporting Entity - These financial statements represent the financial condition and the results of operations of a special revenue fund of Washtenaw County, Michigan (the “County”) and are an integral part of that reporting entity. CSTS is not a component unit of Washtenaw County or any other reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

Basis of Accounting - The County uses a special revenue fund (i.e., a separate accounting entity with a self-balancing set of accounts, using the modified-accrual basis of accounting) to report the financial position and the results of its community mental health operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions and activities.

Receivables - Receivables consist primarily of fees and other such charges for services to first or third party payors, which are shown net of an allowance for uncollectible accounts based on an estimate of collectability by management.

In addition, because of the close relationship between WCHO and CSTS, and the numerous transactions entered into between the two entities during the year, certain amounts are reported as due to/due from WCHO. These amounts are short-term in nature, and are generally paid or received within 30 days.

**WASHTENAW COUNTY
COMMUNITY SUPPORT & TREATMENT SERVICES**

Notes To Financial Statements

Short-term Interfund Receivables/Payables – During the course of operations, numerous transactions occur between CSTS and Washtenaw County for goods provided, services rendered or the transfer of County appropriations. These receivables and payables are classified as “due from (to) other funds of Washtenaw County” on the balance sheet.

Budgetary Accounting – CSTS is under formal budgetary control and follows both the County and MDCH’s annual budget process in establishing the budgetary data presented in the financial statements. The annual fiscal budget is adopted on a basis consistent with generally accepted accounting principles and the requirements of the MDCH.

Over budget variances at the legal level of control are as presented on the Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual.

Concentration – CSTS derives substantially all of its revenue from WCHO and provides services almost exclusively to WCHO clients. Accordingly, discontinuation of WCHO’s contract could adversely affect the Fund’s operating results.

2. CASH

CSTS, along with various other funds and component units of the County, participates in the County’s pooled cash management accounts. Information regarding this cash management pool is presented in the County’s comprehensive annual financial report.

3. FEES RECEIVABLE

Receivables for service charges to first and third-party payors consisted of the following at September 30, 2005:

Medicare	\$ 493,414
Third-party	98,966
Other receivable	<u>30,626</u>
	623,006
Less: Allowance for uncollectible accounts	<u>(333,600)</u>
Fees receivable, net	<u>\$ 289,406</u>

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SUPPLEMENTAL SCHEDULE

WASHTENAW COUNTY
COMMUNITY SUPPORT & TREATMENT SERVICES

Schedule of Mental Health Service

Program Expenditures

For the Year Ended September 30, 2005

	<u>Board Administration</u>	<u>Access and Prevention</u>	<u>Youth and Family</u>
Expenditures			
Personnel	\$ 819,482	\$ 596,969	\$ 1,337,902
Client expenses	619	-	8,009
Contracts	6,276	87,172	315,707
Cost allocation	1,691,857	-	-
Operations	<u>387,425</u>	<u>27,204</u>	<u>161,948</u>
Total expenditures	<u><u>\$ 2,905,659</u></u>	<u><u>\$ 711,345</u></u>	<u><u>\$ 1,823,566</u></u>

Services to the Mentally Impaired	Services to the Developmentally Disabled	Total
<hr/>	<hr/>	<hr/>
\$ 4,697,296	\$ 8,016,796	\$ 15,468,445
33,545	497,260	539,433
23,134	312,646	744,935
442	-	1,692,299
109,409	644,296	1,330,282
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\$ 4,863,826	\$ 9,470,998	\$ 19,775,394
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